

MANAGING ADVERTISING IN AGRIBUSINESS

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Advertising decisions are undoubtedly some of the most difficult ones for agribusiness. Many regard them as evasive and do not deal with them like other areas of business activity. Difficult as they may be, decisions can be made with more ease and soundness when agribusinessmen approach them by answering a series of questions. The key is the *order* in which the questions are posed and answered.

- **Why am I advertising?** The answer to this first question may be to build goodwill, to stimulate buying action *now* or to build product acceptance. A clearly defined aim must precede all else.
- **What shall I advertise?** If the decision is to advertise goodwill (institutional approach), then specifics as to ways the business contributes to overall community betterment must be highlighted. For example, highlight the amount of money the company placed into the local economy in employee salaries and wages or the number of farmers and ranchers served during the year.

If commodities are stressed, determine the type—nationally advertised brands, traffic builders, best sellers or slow movers.

- **When shall I advertise?** Time advertising for each commodity to the season of the year when demand is greatest. One ineffective tendency is to advertise only when the firm's financial position permits, rather than on a carefully planned timetable.

Effective goodwill advertising in agribusinesses must be related to seasonal interest of the community.

- **Whom am I trying to reach?** Is it big agricultural producers, average ones or both? Maybe the audience is the urban homeowner. Or, perhaps, only the old customer is desired. The point is decide definitely the specific audience to whom the advertising is aimed.

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Selection of the media is tied directly to this answer.

- **Which media shall I use?** Each medium—TV, radio, magazines, newspapers, direct mail, signboards—has advantages and disadvantages. Media selection depends on the nature of the advertising (institutional or commodity), the audience to be reached and the help representatives of each medium will give in material preparation.
- **How much shall I spend?** Unfortunately, many businesses begin their advertising program with this question. Many approaches determine an advertising budget. Some of these follow:
 1. *Unstudied*—Under this approach, an amount is set at the whim of the owner. No real basis is used; no study made. Those who use this method usually are not marketing-minded and probably doubt the value of advertising.
 2. *Funds available*—This method is really a residual approach. Advertising funds constitute what is left from total gross sales after deducting estimated selling expenses, overhead and desired profit.
 3. *Competitor actions*—The amount spent for advertising by competitors is used as a guide in this method. Or the average sales percentage spent for advertising by other companies in the industry may be the basis.
 4. *Sales percentage*—A widely used method is where the advertising budget is derived by computing a percentage of gross sales. The base for this computation is often a combination of past sales and estimated sales. The present trend is to use only anticipated sales as the base.
 5. *Set amount per unit*—An advertising budget is developed under this approach by taking a certain amount and multiplying it by the number of units sold or estimated

to be sold. This method lends itself best to sellers of durable items with a high unit value. When used for convenience goods, the unit is usually the case rather than the individual item.

Ideally, the right approach for any firm in developing an advertising budget is to set the budget at the point where the last dollar spent will equal the profit from the sales produced by that dollar. Spending up to that point is profitable; spending beyond it unprofitable. This exactness normally is not possible because of the many variables affecting sales. But, it is possible for any agribusiness firm to develop an approach which embodies sound planning. Whatever the approach, it becomes more valid if the question, "How much shall I spend?" is answered after the other questions are answered.

- *Was my advertising money well spent?* This is the "pay-off" question and cannot be answered completely. However, if a few

measuring rods, in addition to the net profit picture, are established at the time the budget is set up, some answers are forthcoming. A few meaningful measurements are: (1) new customers added, (2) average annual expenditures made by old customers, (3) amount of customer traffic in store if a retail business and (4) difference in sales volume on a "before" and "after" basis for particular commodities advertised.

Paid advertising is essential in most businesses. But it is never as effective as that which is free — word-of-mouth advertising. The best advertising medium is a **SATISFIED CUSTOMER!**

References

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